



GATRON (INDUSTRIES) LIMITED

**HALF YEARLY REPORT
DECEMBER 31, 2019**

Contents

Corporate Information	02
Unconsolidated Presentation	
Directors' Report	03
Directors' Report (in Urdu)	10
Auditors' Report to the Members on Review of Condensed Interim Financial Statements	11
Condensed Interim Statement of Financial Position	12
Condensed Interim Statement of Profit or Loss	13
Condensed Interim Statement of Comprehensive Income	14
Condensed Interim Statement of Changes in Equity	15
Condensed Interim Statement of Cash Flows	16
Notes to the Condensed Interim Financial Statements	17
Consolidated Presentation	
Directors' Report	31
Directors' Report (in Urdu)	32
Condensed Interim Statement of Financial Position	33
Condensed Interim Statement of Profit or Loss	34
Condensed Interim Statement of Comprehensive Income	35
Condensed Interim Statement of Changes in Equity	36
Condensed Interim Statement of Cash Flows	37
Notes to the Condensed Interim Financial Statements	38
Notice of Book Closure for Interim Cash Dividend	52
Form-Withholding Tax on Dividend	53
Form-E-Dividend Mandate	54



Corporate Information

Board of Directors

Haroon Bilwani	- Chairman
Pir Muhammad Diwan	- Chief Executive
Abdul Razak Diwan	
Zakaria Bilwani	
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	
Shabbir Diwan	
Muhammad Taufiq Bilwani	
Muhammad Waseem	

Audit Committee Members

Muhammad Waseem	- Chairman
Haroon Bilwani	
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	

HR & Remuneration Committee Members

Muhammad Waseem	- Chairman
Usman Habib Bilwani	
Muhammad Iqbal Bilwani	

Chief Financial Officer

Mustufa Bilwani

Company Secretary

Muhammad Yasin Bilwani

Auditors

M/s. Kreston Hyder Bhimji & Company
Chartered Accountants,
Karachi.

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Shares Registrar

C&K Management Associates (Private) Limited
Room No. 404, 4th Floor, Trade Tower,
Abdullah Haroon Road, Near Metropole Hotel,
Karachi-75530 - Pakistan.
Phone: 021-35687839, 35685930

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Plant

Plot No.441/49-M2, Sector "M",
H.I.T.E., Main R.C.D. Highway,
HUB, District Lasbela,
Balochistan, Pakistan.

Registered Office

Room No.32, First Floor,
Ahmed Complex,
Jinnah Road, Quetta - Pakistan.

Liaison/Correspondence Office

11th Floor, G&T Tower,
18 Beaumont Road,
Civil Lines-10,
Karachi-75530 - Pakistan.
Phone: 021-35659500-9
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headoffice@gatron.com

Website

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Directors' Report

Dear Shareholders,

The Directors of Gatron (Industries) Limited are pleased to present the half yearly report together with the financial statements, duly reviewed by the external auditors, for the half year ended December 31, 2019.

Financial Review:

The financial synopsis for the period under review is as below:

- Net sales Rs. 6,637 million,
- Operating profit Rs. 268 million,
- Investment income Rs. 465 million,
- Profit before income tax Rs. 656 million,
- Profit after income tax Rs. 497 million,
- Earnings per share including investment income Rs. 12.96

The operating revenue of the Company decreased by 17% as compared to last corresponding period mainly due to decrease in sale volume of both products of the Company. Polyester Filament Yarn sale volume reduced by around 19% as compared to last corresponding period and on the other hand Preforms' sale volume went down by around 18%. The sales volume was down primarily due to dumping of foreign products as well as may be due to measures in the June 2019 budget of imposition of 17% sales tax on textile sector and the condition of CNIC on unregistered traders / buyers. Your company had to sharply cut down production of Filament Yarn in October 2019 on account of drop in sales. The Preform sale was also down due to lower consumer demand for beverages in view of the significant devaluation of Pak rupee increasing beverage prices and the reduced disposable income of the end consumer as well as light weighting of Preforms. The exports of Preform has been affected due to sharp increase in import duty of Preforms in Afghanistan prompting producers there to put up their own Preform production.

The operational results were extra-ordinary good in the previous financial year 2018-19 due to the significant devaluation of the Pak Rupee resulting in a dynamic gain in rupees on account of lower unit value of raw materials in rupee at the time of purchase to a higher rupee value at the time of sale after the manufacturing cycle. However the value of Pak Rupee has appreciated and now stable so this dynamic gain is not there in the reporting period. In fact revaluation of Pak Rupee will have an adverse impact as this dynamic gain converting into a dynamic loss, besides the usual inventory loss in such a situation.

The growth of Chinese economy is slowing down putting pressure on Chinese suppliers who have expanded their capacities tremendously in the meantime. As a result they are more inclined to increase the dumping of their products in other countries including Pakistan, while anti-dumping duties as noted below remain ineffective due to a generous approach of NTC towards the commercial importers/foreign suppliers. There is dumping also from other countries besides China as capacities in these countries is also increasing tremendously. The dumped products are affecting your company sales volume as well as the margins of the Polyester Filament Yarn being produced.

On the other hand Government is increasing the conversion costs for the Pakistani manufacturers through increase in gas and energy prices, while mark up costs on bank financing remains very high.

Your company has already informed about the investments in increase of the capacity. Accordingly steps are being taken to start production from already imported and contracted plant & machinery. It is very challenging to undertake further expansions as noted below in the future outlook.

Distribution & selling expenses reduced by around 5% as compared to last corresponding period due to low sale volume. On the other hand Administrative expenses increased due to inflationary factors as a result of Pak Rupee devaluation.

On the Balance Sheet front as compared to June 30, 2019 stocks increased by Rs. 472 million to reach amounting to Rs. 3,313 million. Debtors increased by Rs.483 million to reach Rs.2,012 million while creditors increased by Rs. 535 million to reach Rs. 2,568 million.

During the period your company invested amounting to Rs. 360 million in newly incorporated wholly owned power company i.e. G-Pac Energy (Pvt) Limited. The above investment is in hybrid form of long term loan as well as equity investment. It is expected that this subsidiary will start its operations in next financial year.

In view of increasing working capital requirements, company short term borrowings are increasing, which is resulting in increased finance cost.

CHALLENGES AND FUTURE OUTLOOK

- Federal Government being misguided by the traders/importers lobby, has reduced the Regulatory Duty on competing imported PFY from 5% to zero. It will hurt the investment already made in the phases of the expansion already contracted by your Company. It will definitely make it challenging for local PFY manufacturing industry to proceed with the further phases of expansion in production capacity after the reduction of regulatory duty on competing imported yarn from 5% to zero as well as absence of effective enforcement/collection of anti-dumping (AD) duties at the time of import. Both of these measure combined were mitigating the 20 to 25% injury that NTC had determined in its AD investigations. Had the regulatory duty remained and AD duties collected at time of import your company was hopeful that indigenous PFY industry would have expanded to a level which cater above 70% of local demands by the year 2022 compared to 35% in 2016 increasing import substitution of the country and local employment. Without the regulatory duty and collection of AD duties at import now it does not look possible and only the already contracted expansions will come into production. It is also worthwhile to note that the raw material of Polyester Filament Yarn vis PTA is also produced in Pakistan.
- As reported in previous reports, the anti-dumping duties (ADDs) continue to be ineffective due to litigation on composition of National Tariff Commission (NTC) (resulting in repeated stay orders in different High Courts). Earlier the imposition of ADDs was delayed for 4 years due to quorum issues at the NTC. These ADDs are already set at a very low level of 3.25% to 4.9% on the major 3 Chinese suppliers, while the injury to the Pakistan Filament Yarn Industry was exceeding 25% by the Chinese dumped imports as calculated by the NTC in anti-dumping investigation. Part of this injury was mitigated by the regulatory duty which also has been removed. It is also worthwhile to note that the dumping duty on China imposed by Turkey and India on these same producers was in excess of 10%.

- As already reported in previous directors' reports that there also appears an element of subsidy schemes helping the Chinese and Malaysian exporters to export at much low prices. The NTC did not initiate the countervailing anti-subsidy proceedings due to some legal limitation, on the previous application by the Filament Yarn Industry. Many countries like Canada and USA have calculated anti-subsidy duties on China on various polyester products which demonstrate that Chinese producers have available subsidy on their exports. Of course USA, Canada and Europe have also imposed anti-subsidy duties on numerous other Chinese products besides polyester.
- Frequent and notable increase in gas prices along with unsettled GIDC matter make import substitution industry more incompatible.
- The Company's significant funds are stuck in Sales Tax and Income Tax refunds, which unnecessarily affecting liquidity of the Company.
- Tax credit under section 65(b) of Income Tax Ordinance, 2001 has been taken away from current tax year may adversely hurt feasibility of upcoming investments in the country.

OTHER MATTERS

- During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained below par due to increase in gas prices. In coming periods supply rate to Parent Company may further be increased to cover escalation in power generation cost. During the period this subsidiary company paid cash dividend amounting to Rs. 67.725 million.
- During the period, an associated company, i.e. Messrs. Novatex Limited has paid Rs. 397 million cash dividend.
- The Board of Directors of the Company in its meeting held on September 30, 2019 has approved the Scheme of Arrangement under Sections 279 to 283 and 285 of the Companies Act, 2017 as placed before the board subject to any modification / amendments required or conditions as may be imposed by the Honourable High Court of Balochistan at Quetta. The petition has already been filed on dated 15th November, 2019 with the Honourable High Court of Baluchistan at Quetta, and necessary steps are being taken in view of Order given by the Court.

APPROPRIATION

The Board of Directors has approved 1st interim cash dividend @125% to all the shareholders of the Company.

EARNING PER SHARE

The earning per share of the Company for the half year ended December 31, 2019 is Rs. 12.96.



MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the company occurred during the period to which the balance sheets relates and the date of this report.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed interim consolidated financial statements of the Group along with notes thereto, have also been included in this report.

AUDITORS' REVIEW REPORT

The Auditors of the Company, M/s. Kreston Hyder Bhimji & Co, Chartered Accountant have issued an unqualified review report to the members of the Company on financial statements for the half year ended December 31, 2019.

BOARD OF DIRECTOR

During the period there is no change in the Board of Directors of the Company.

TRADING IN THE COMPANY'S SHARES

During the period under review three executive and three non executive directors of the Company reported transfer of Company's shares in writing, through gift deeds and purchase.

ACKNOWLEDGMENT

We, on behalf of the Board of Directors would like to take this opportunity to thank our valued customers for the trust they continued to place on us, the management team for its sincere efforts, the Board of Directors for their guidance, and all Stakeholders, Bankers, Dealers, Vendors, Associates and Shareholders for helping build Gatron (Industries) Limited into a valuable company.

Pir Muhammad Diwan
Chief Executive

Muhammad Iqbal Bilwani
Director

January 15, 2020

مجموعی مالیاتی گوشوارے:

زیر نظر ششماہی رپورٹ میں گروپ ہذا کے غیر آڈٹ شدہ مختصر جامع مالیاتی گوشوارے (Condensed Interim Consolidated Financial Statements) بمعہ نوٹس منسلک ہیں۔

آڈیٹرز کی جائزہ رپورٹ

کمپنی کے آڈیٹرز میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، ارٹزڈ اکاؤنٹنٹس نے کمپنی کے ممبران کو 31 دسمبر، 2019ء کو اختتام پزیر ہونے والی ششماہی مدت کے مالیاتی گوشوارے پر غیر کوالیفائیڈ جائزہ رپورٹ جاری کی ہے۔

بورڈ آف ڈائریکٹرز:

زیر جائزہ مدت کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی واقع نہیں ہوئی۔

کمپنی کے حصص میں تجارت:

زیر جائزہ مدت کے دوران کمپنی کے تین ایگزیکٹو اور تین غیر ایگزیکٹو ڈائریکٹرز نے گفٹ ڈیڈ اور خریداری کے ذریعے کمپنی کے شیئرز کو تحریری طور پر منتقلی کی اطلاع دی ہے۔

اظہار تشکر:

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے معزز صارفین کا شکریہ ادا کرتے ہیں جنہوں نے ہم پر اعتماد کیا۔ ساتھ ہی اپنی مینجمنٹ ٹیم کی پر خلوص محنت پر اور اپنے متعلقہ افران بشمول بینکرز، ڈیلرز، ویڈرز، ایسوسی ایٹس اور حصص یافتگان کے بھی شکر گزار ہیں جنہوں نے گیسٹرون کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال بلوانی
ڈائریکٹر

پیر محمد یوان
انصر اعلیٰ

15 جنوری، 2020ء

☆ جیسا کہ گزشتہ ڈائریکٹرز رپورٹس میں ذکر کیا گیا کہ سبسڈی اسکیموں کا ایک ایسا عنصر محسوس ہوتا ہے جس کی وجہ سے چینی اور ملائیشیائی برآمد کنندگان کو انتہائی ارزوں نرخ پر برآمدات کرنے میں مدد ملتی ہے۔ مقامی فلامنٹ یا رن صنعت کی جانب سے اس معاملہ کے متعلق گزشتہ داخل کردہ درخواست پر چند قانونی پابندیوں کے باعث NTC بروقت اقدام کرنے سے قاصر رہا دیگر مالک جیسا کہ کینیڈا اور امریکہ نے چین کی دیگر پولیٹر مصنوعات پر ایٹمی سبسڈی ڈیوٹی عائد کی ہے جس سے پتہ چلتا ہے کہ چینی پروڈیوسرز کی برآمدات میں سبسڈی شامل ہے۔ امریکہ، کینیڈا اور یورپ نے چین کی دیگر مصنوعات پر بھی ایٹمی سبسڈی ڈیوٹی عائد کر رکھی ہے۔

☆ GIDC کے ساتھ ساتھ گیس کی قیمتوں میں بار بار اور قابل ذکر اضافہ درآمدی متبادل صنعت کو uncompetitive بنا دیتا ہے۔

☆ کمپنی کی خطرہ رقم سیلنگس اور انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جو liquidity پر اثر انداز ہو رہی ہے۔

☆ انکم ٹیکس آرڈیننس 2001ء کے سیکشن 65(b) کے تحت ٹیکس کریڈٹ موجودہ مالیاتی سال سے ختم کر دیا گیا ہے اس سے ملک میں آئندہ سرمایہ کاری کی feasibility کو بری طرح نقصان پہنچ سکتا ہے۔

دیگر امور

☆ زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسر گیٹر وپاور (پرائیویٹ) لمیٹڈ کے آپریشنز گیس کی قیمتوں میں اضافے کی وجہ سے نجلی سطح پر رہے۔ آنے والی مدتوں میں پیرنٹ کمپنی کو سپلائی کی نرخ میں مزید اضافہ کیا جاسکتا ہے تاکہ بجلی کی پیداواری لاگت میں اضافہ وصول ہو سکے۔ زیر جائزہ مدت کے دوران اس مکمل ملکیتی ماتحت ادارے نے 67.725 ملین روپے کے نقد مافع منقسمہ کی ادائیگی کی۔

☆ زیر جائزہ مدت کے دوران ایک ملحقہ کمپنی میسرزنووا ٹیکس لمیٹڈ نے 397 ملین روپے کے نقد مافع منقسمہ کی ادائیگی کی۔

☆ بورڈ آف ڈائریکٹرز نے 30 ستمبر 2019ء کو اپنے منعقدہ اجلاس میں کمپنیز ایکٹ 2017 کی شقوں 279 سے 283 اور 285 کے تحت اسکیم آف اینجمنٹ کے مسودے کی منظوری دی۔ اس کے بعد اس اسکیم کی منظوری کے لیے عدالت عالیہ، کوئٹہ بلوچستان میں پٹیشن مورخہ 15 نومبر 2019ء کو پہلے ہی دائر کی جا چکی ہے اور اس عدالت کی ہدایات/ احکامات کے پیش نظر ضروری اقدامات کئے جا رہے ہیں۔

تصرف

بورڈ آف ڈائریکٹرز نے کمپنی کے ممبران کے لیے 125 فیصد نقد عبوری مافع منقسمہ کا اعلان کیا۔

آمدن فی حصہ:

31 دسمبر، 2019ء کو اختتام پذیر ہونے والے ششماہی مدت کے لیے مافع فی حصہ 12.96 روپے رہا۔

اہم تبدیلیاں اور معاہدے:

بیلنس شیٹ کی تاریخ اور رپورٹ ہذا کی تاریخ کے درمیان کمپنی کی مالیاتی حیثیت میں تبدیلی لانے والی نہ کوئی اہم بات رونما ہوئی اور نہ ہی ایسے معاہدے ہوئے۔

دوسری طرف حکومت گیس اور توانائی کی قیمتوں میں بار بار اضافے کے ذریعے پاکستانی مینوفیکچرر کے لیے پیداواری لاگت میں اضافہ کر رہی ہے، جبکہ بینک کی مالی اعانت پر لاگت بہت زیادہ ہے۔

آپ کی کمپنی نے پہلے ہی صلاحیت کے اضافے میں کی جانے والی سرمایہ کاری کے بارے میں آگاہ کیا ہے۔ اس کے مطابق پہلے ہی درآمد شدہ اور معاہدہ شدہ پلانٹ اور مشینری سے پیداوار شروع کرنے کے لئے اقدامات کئے جا رہے ہیں۔ مستقبل میں اس طرح کی مزید توسیع کو یقینی بنانا بہت مشکل ہے جس کا ذکر درپیش چیلنجز اور مستقبل پر ایک نظر میں بیان کیا ہے۔

ڈسٹری بیوٹن اور فروخت کے اخراجات میں فروخت کے کم حجم کے باعث گذشتہ اسی مدت کے مقابلے میں تقریباً 5 فیصد کمی واقع ہوئی ہے۔ دوسری طرف پاکستانی روپے کی قدر میں کمی کے نتیجے میں مہنگائی کے باعث انتظامی اخراجات میں اضافہ ہوا۔

30 جون 2019ء کے مقابلے میں اسٹاک میں 472 ملین روپے کا اضافہ ہوا جو 3,313 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مالیت 483 ملین روپے بڑھ کر 2,012 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 535 ملین روپے بڑھ کر 2,568 ملین روپے تک پہنچی۔

زیر جائزہ مدت کے دوران آپ کی کمپنی نے نئی مکمل ملکیتی پاور کمپنی جی پیک انرجی (پرائیویٹ) لمیٹڈ میں طویل مدتی قرض کے ساتھ ساتھ ایکویٹی میں مبلغ 360 ملین روپے کی سرمایہ کاری کی۔ اس کمپنی کے آپریشنز آئندہ مالی سال میں شروع کئے جانے کی توقع ہے۔

مذکورہ بالا سرمایہ کاری اور ورکنگ کپینٹل کی ضروریات میں اضافے کے پیش نظر کمپنی میں قلیل مدتی قرضہ بڑھ رہا ہے، جس کے نتیجے میں مالیاتی لاگت میں اضافہ ہوا۔

درپیش چیلنجز اور مستقبل پر ایک نظر

☆ وفاقی حکومت نے اپنے حالیہ بجٹ میں تاجروں/درآمد کنندگان کی گمراہ کن ترجمانی کی وجہ سے درآمد شدہ PFY پر لاگوریٹی ڈیوٹی کو 5 فیصد سے گھٹا کر صفر کر دیا۔ اس اقدام سے کاروبار کو وسعت دینے کے لئے ابتدائی مراحل میں کی جانے والی سرمایہ کاری کو تھیس پہنچنے کا اندیشہ ہے اور یہ یقینی طور پر PFY صنعت کیلئے چیلنج ہوگا کہ وہ درآمداتی یارن پر ریگولیٹری ڈیوٹی میں 5 فیصد سے صفر تک کمی اور اینٹی ڈمپنگ ڈیوٹی کی غیر موثر نفاذ/حصول کی عدم موجودگی میں پیداواری صلاحیت کے ہدف میں مزید توسیع کے لئے آگے بڑھے۔ یہ دونوں اقدامات مشترکہ طور پر 20 سے 25 فیصد تک کے نقصان کو کم کر رہے تھے جسے NTC نے اپنی اینٹی ڈمپنگ انویسٹی گیشن میں طے کیا تھا۔ اگر PFY کو درآمد کرتے وقت ریگولیٹری ڈیوٹی اور اینٹی ڈمپنگ ڈیوٹی جمع ہوتی تو امید تھی کہ یہ PFY انڈسٹری 2022ء تک مقامی پیداوار کو 2016ء کی مقامی طلب کے 35 فیصد کی سطح سے بڑھا کر 70 فیصد تک کرتی اور مزید لوگوں کو برسر روزگار بنانے میں مدد ملتی۔ جواب ریگولیٹری ڈیوٹی اور درآمد پر اینٹی ڈمپنگ ڈیوٹی کی وصولی کے بغیر ممکن دکھائی نہیں دیتی اور صرف معاہدہ شدہ توسیع ہی پیداوار میں آئے گی۔ یہ امر قابل غور ہے کہ PFY کا بڑا خام مال PTA بھی پاکستان میں تیار کیا جاتا ہے۔

☆ جیسا کہ سابقہ ڈائریکٹرز رپورٹ میں بتایا گیا ہے کہ اینٹی ڈمپنگ ڈیوٹیز (ADDs) مسلسل غیر فعال ہیں کیونکہ نیشنل ٹریف کمیشن (NTC) کی کمپوزیشن پر درآمد کنندگان نے مختلف ہائی کورٹس سے حکم امتناعی حاصل کر رکھی ہے پہلے ہی ADDs کے نفاذ میں NTC کے اجلاس میں کورم مکمل نہ ہونے سے چار سال کی تاخیر ہوئی ہے۔ یہ ADDs تین بڑے چینی سپلائرز پر کم ترین سطح 3.25 سے 4.9 فیصد عائد ہے۔ جبکہ مندرجہ اینٹی ڈمپنگ کی تحقیقات میں NTC نے تعین کیا تھا کہ پاکستان فلامنٹ یارن انڈسٹری کو چائنیز ڈمپڈ امپورٹس کے ذریعہ نقصان 25 فیصد سے زیادہ ہے ان ہی چائنیز پروڈیوسرز پر ترکی اور انڈیا نے 10 فیصد اینٹی ڈمپنگ ڈیوٹی عائد کر رکھی ہے۔

بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 31 دسمبر 2019ء کو اختتام پذیر ہونے والی ششماہی مدت کے غیر آڈٹ شدہ مالیاتی گوشوارے جس کا بیرونی آڈیٹر نے جائزہ لیا پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

مالیاتی جائزہ:

- ☆ زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے :
- ☆ خالص فروخت 6,637 ملین روپے۔
- ☆ آپریٹنگ منافع 268 ملین روپے۔
- ☆ آمدنی بذریعہ سرمایہ کاری 465 ملین روپے۔
- ☆ منافع قبل از انکم ٹیکس 656 ملین روپے۔
- ☆ منافع بعد از انکم ٹیکس 497 ملین روپے۔
- ☆ آمدنی فی حصہ بشمول آمدنی بذریعہ سرمایہ کاری 12.96 روپے۔

گزشتہ سال کی اسی مدت کے مقابلے میں کمپنی کی خالص فروخت میں 17 فیصد کمی واقع ہوئی ہے جس کی بنیادی وجہ کمپنی کی دونوں مصنوعات کی فروخت کے حجم میں کمی ہے۔ گزشتہ اسی عرصہ کے مقابلے میں پالیسٹر فیلامنٹ یارن (PFY) کی فروخت کی مقدار میں تقریباً 19 فیصد کمی واقع ہوئی اور دوسری طرف پری فارمز کی فروخت کا حجم تقریباً 18 فیصد کم ہوا۔ غیر ملکی مصنوعات کی ڈمپنگ، جون 2019ء کے بجٹ میں ٹیکسٹائل کے شعبے پر 17 فیصد سیلز ٹیکس اور غیر رجسٹرڈ تاجروں/خریداران پر شناختی کارڈ کی شرط کی وجہ سے فروخت کے حجم میں واضح کمی واقع ہوئی۔ آپ کی کمپنی کو فروخت میں کمی کے باعث اکتوبر 2019ء میں PFY کی پیداوار کم کرنا پڑی۔ پاکستانی روپے کی قدر میں کمی کے پیش نظر کم وزن والے پری فارمز کے استعمال کے ساتھ ساتھ صارفین کی ڈیپوزائٹس میں کمی نے مشروبات کی طلب پر اثر انداز ہو کر کمپنی کی پری فارمز کی فروخت کو متاثر کیا۔ افغانستان میں پری فارمز کی درآمدی ڈیوٹی میں تیزی سے اضافے کے باعث پری فارمز کی برآمدات متاثر ہوئی اور اسی وجہ نے وہاں کے پروڈیوسرز کو اپنی پری فارمز کی پیداوار کرنے پر آمادہ کیا۔

گذشتہ مالی سال 2018-19 میں آپریشنل نتائج نہایت بہتر تھے جو پاکستانی روپے کی قدر میں نمایاں کمی کی وجہ سے کم قیمت پر خریدے گئے خام مال سے پیداواری عمل کے بعد تیار شدہ مصنوعات کی فروخت کے وقت اُن کی قدر میں اضافے کے باعث ہوئے۔ تاہم پاکستانی روپے کی قدر اب بہتر اور مستحکم ہے لہذا زیر جائزہ مدت کے دوران یہ متحرک فائدہ نہیں ہوا۔ دراصل اب یہ متحرک فائدہ، متحرک نقصان میں تبدیل ہو گا جو ذخیرے پر نقصان کے علاوہ ہے۔

چائنہ کی اقتصادی ترقی سست روی کا شکار ہے جس کی وجہ سے چائنیز سپلائرز (جنہوں نے اپنی پیداواری صلاحیتوں میں بے پناہ اضافہ کیا) پر دباؤ ہے اس کے نتیجے میں وہ پاکستان سمیت دیگر ممالک میں اپنی مصنوعات کی ڈمپنگ میں اضافہ کرنے پر زیادہ مائل ہیں جبکہ اسٹیل ڈمپنگ ڈیوٹیز جیسا کہ ذیل میں بتایا گیا ہے کہ وہ تجارتی درآمد کنندگان/غیر ملکی فراہم کنندگان کے لئے این ٹی سی کے ضیاع فائدہ روپے کے سبب غیر موثر ہیں، چین کے علاوہ دیگر ممالک سے بھی ڈمپنگ کی جارہی ہے کیونکہ ان ممالک میں بہت زیادہ پیداواری صلاحیت کے ساتھ ساتھ اس میں اضافہ بھی ہو رہا ہے۔ ڈمپڈ مصنوعات آپ کی کمپنی کی فروخت کے حجم اور اس کے ساتھ PFY کے مارجنز کو بھی متاثر کر رہی ہیں۔



**AUDITORS' REPORT TO THE MEMBERS ON REVIEW
OF CONDENSED INTERIM UN-CONSOLIDATED FINANCIAL STATEMENTS**

Introduction:

We have reviewed the accompanying condensed interim un-consolidated statement of financial position of **GATRON (INDUSTRIES) LIMITED** ("the Company") as of December 31, 2019, and the related condensed interim un-consolidated statement of profit or loss, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated statement of changes in equity and condensed interim un-consolidated statement of cash flows and notes to the financial statements for the half year ended (here-in-after referred to as the "condensed interim un-consolidated financial statements"). Management is responsible for the preparation and presentation of these condensed interim un-consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim un-consolidated financial statements based on our review. The figures for the quarters ended December 31, 2019 and December 31, 2018 in the condensed interim un-consolidated financial statements have not been reviewed, as we are required to review only the cumulative figures for the six months' period ended December 31, 2019.

Scope of Review:

We conducted our review in accordance with the International Standard on Review engagements 2410, "Review of condensed Interim financial information Performed by the Independent Auditor of the Entity". A review of condensed Interim un-consolidated financial statements consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim un-consolidated financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner of the review resulting in this independent auditor's report is Mohammad Hanif Razzak.


KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Karachi: the **15 JAN 2020**

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Condensed Interim Un-consolidated Statement Of Financial Position

AS AT DECEMBER 31, 2019

		(Rupees in Thousand)	
	Note	December 2019 (Un-audited)	June 2019 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	3,524,008	2,359,404
Long term investments		881,700	602,830
Long term loans		80,891	99
Long term deposits		3,228	2,723
		4,489,827	2,965,056
Current Assets			
Stores, spare parts and loose tools		689,579	692,348
Stock in trade	6	3,312,861	2,840,779
Trade debts	14	2,012,470	1,528,561
Loans and advances		91,607	74,742
Trade deposits and short term prepayments	14	72,446	65,153
Other receivables	14	315,388	254,439
Income tax refundable - payments less provision		81,969	-
Advance income tax		-	116,273
Sales tax refund due from Federal Government		111,418	142,375
Cash and bank balances		57,657	70,317
		6,745,395	5,784,987
TOTAL ASSETS		11,235,222	8,750,043
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		3,250,000	3,250,000
Unappropriated profit		1,208,953	1,286,708
		5,226,243	5,303,998
LIABILITIES			
Non - Current Liabilities			
Long term financing		1,105,761	126,540
Deferred liabilities - defined benefit plan		400,082	373,162
		1,505,843	499,702
Current Liabilities			
Trade and other payables	8 & 14	2,567,607	2,032,547
Unclaimed dividend		19,435	16,393
Accrued mark up		38,042	8,584
Short term borrowings		1,878,052	864,718
Provision for income tax less payments		-	24,101
		4,503,136	2,946,343
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		11,235,222	8,750,043

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement Of Profit Or Loss (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

(Rupees in Thousand)				
Note	Oct-2019 to Dec-2019	Oct-2018 to Dec-2018	Jul-2019 to Dec-2019	Jul-2018 to Dec-2018
Sales	3,211,342	4,173,520	6,637,317	7,999,281
Cost of sales	2,952,475	3,886,710	6,139,471	7,129,837
Gross profit	258,867	286,810	497,846	869,444
Distribution and selling costs	37,890	34,812	79,691	83,595
Administrative expenses	80,743	75,982	148,943	127,478
Other operating expenses	14,755	51,761	29,480	96,582
	133,388	162,555	258,114	307,655
	125,479	124,255	239,732	561,789
Other income	7,291	1,495	28,599	4,202
Operating profit	132,770	125,750	268,331	565,991
Finance costs	57,332	862	76,946	1,961
	75,438	124,888	191,385	564,030
Investment income - Dividend	10 67,725	679,350	464,625	905,100
Profit before income tax	143,163	804,238	656,010	1,469,130
Income tax - Current & prior	11 48,207	109,266	158,766	172,343
- Deferred	-	13,036	-	8,411
	48,207	122,302	158,766	180,754
Profit after income tax	94,956	681,936	497,244	1,288,376
Earnings per share -				
Basic and diluted (Rupees)	2.48	17.78	12.96	33.58

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer



Condensed Interim Un-consolidated Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

	(Rupees in Thousand)			
	Oct-2019 to Dec-2019	Oct-2018 to Dec-2018	Jul-2019 to Dec-2019	Jul-2018 to Dec-2018
Profit after income tax	94,956	681,936	497,244	1,288,376
Other comprehensive income				
<i>Items that will never be reclassified to profit or loss</i>				
Gain on remeasurement of defined benefit plan having nil tax impact	468	-	468	-
Total comprehensive income	<u>95,424</u>	<u>681,936</u>	<u>497,712</u>	<u>1,288,376</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement Of Changes In Equity (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2018	383,645	383,645	2,075,000	1,431,079	4,273,369
Total comprehensive income for the half year ended December 31, 2018	-	-	-	1,288,376	1,288,376
Transfer to general reserve	-	-	1,175,000	(1,175,000)	-
Transactions with owners					
Final cash dividend for the year ended June 30, 2018 at Rs. 8.25 per share i.e. @82.50%	-	-	-	(316,507)	(316,507)
Balances as at December 31, 2018	383,645	383,645	3,250,000	1,227,948	5,245,238
Total comprehensive income for the half year ended June 30, 2019	-	-	-	499,952	499,952
Transactions with owners					
1st Interim cash dividend for the year ended June 30, 2019 at Rs.9.50 per share i.e. @95%	-	-	-	(364,463)	(364,463)
2nd Interim cash dividend for the year ended June 30, 2019 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
	-	-	-	(441,192)	(441,192)
Balances as at June 30, 2019	383,645	383,645	3,250,000	1,286,708	5,303,998
Total comprehensive income for the half year ended December 31, 2019	-	-	-	497,712	497,712
Transactions with owners					
Final cash dividend for the year ended June 30, 2019 at Rs.15.00 per share i.e. @150%	-	-	-	(575,467)	(575,467)
Balances as at December 31, 2019	383,645	383,645	3,250,000	1,208,953	5,226,243

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



Condensed Interim Un-consolidated Statement Of Cash Flows (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	(Rupees in Thousand)	
	Jul-2019 to Dec-2019	Jul-2018 to Dec-2018
Cash Flows (towards)/from Operating Activities		
Profit before income tax	656,010	1,469,130
Adjustments for:		
Depreciation	170,167	137,460
Provision for defined benefit plan	31,676	18,559
Gain on disposal of property, plant and equipment	(4,294)	(3,403)
Loss on disposal of property, plant and equipment	40	33
Impairment in long term investments	25	84
Provision of allowance for ECL - net	9,166	394
Provision for slow moving stores, spare parts and loose tools - net	3,403	3,135
Investment income - Dividend	(464,625)	(905,100)
Finance costs	76,946	1,961
	<u>(177,496)</u>	<u>(746,877)</u>
	478,514	722,253
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(634)	(66,220)
Stock in trade	(472,082)	(588,565)
Trade debts	(493,075)	(106,423)
Loans and advances	(15,392)	(11,245)
Trade deposits and short term prepayments	(7,293)	(51,285)
Other receivables	(60,949)	(189,474)
Sales tax refund due from Federal Government	30,957	-
	<u>(1,018,468)</u>	<u>(1,013,212)</u>
Increase in Trade and other payables	549,795	626,426
Cash flows from operations before following	<u>9,841</u>	<u>335,467</u>
(Payments for)/receipts of:		
Long term loans	(82,265)	857
Long term deposits	(505)	30
Defined benefit plan	(4,288)	(2,491)
Finance costs	(47,488)	(1,675)
Income tax	(166,123)	(85,449)
Group taxation impact	(28)	(24)
Net cash flows (towards)/from operating activities	<u>(290,856)</u>	<u>246,715</u>
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(1,335,519)	(313,536)
Proceeds from disposal of property, plant and equipment	7,855	8,369
Long term investment made	(278,895)	(5,039)
Dividend received	464,625	451,500
Net cash flows (towards)/from investing activities	<u>(1,141,934)</u>	<u>141,294</u>
Cash Flows from/(towards) Financing Activities		
Long term financing - proceed	979,221	-
Dividend paid	(572,425)	(314,221)
Net cash flows from/(towards) financing activities	<u>406,796</u>	<u>(314,221)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,025,994)</u>	<u>73,788</u>
Cash and cash equivalents at the beginning of the period	<u>(794,401)</u>	<u>(532,618)</u>
Cash and cash equivalents at the end of the period	<u>(1,820,395)</u>	<u>(458,830)</u>
CASH AND CASH EQUIVALENTS COMPRISE OF :		
Cash and bank balances	57,657	55,558
Short term borrowings	<u>(1,878,052)</u>	<u>(514,388)</u>
	<u>(1,820,395)</u>	<u>(458,830)</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Notes To The Condensed Interim Un-consolidated Financial Statements (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at the Pakistan Stock Exchange Limited since 1992. The principal business of the Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Company also produces PET Preforms. The registered office of the Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and Liaison office of the Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

1.2 Following are the wholly own subsidiaries of the Company:

- Gatro Power (Private) Limited, which is engaged in power generation.
- Global Synthetics Limited, which has yet to commence its operations.
- G-Pac Energy (Private) Limited, which has yet to commence its operations.

1.3 The Board of Directors of the Company in its meeting held on September 30, 2019 has approved the draft Scheme of Arrangement under Sections 279 to 283 and 285 of the Companies Act, 2017 in respect of shares owned by the Company in associated company Messrs. Novatex Limited. Accordingly, petition has been filed on November 15, 2019 with the Honorable High Court of Balochistan at Quetta and necessary steps are being taken in view of Order given by the Court. In term of the scheme, all 56.7 million Ordinary Shares of Messrs. Novatex Limited held by the Company shall be cancelled and in lieu of such cancellation new shares in Messrs. Novatex Limited will be issued to the shareholders of the Company, held by the respective shareholder as of the book closure date.

2 BASIS OF PREPARATION

2.1 These condensed interim un-consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim un-consolidated financial statements are the separate condensed interim un-consolidated financial statements of the Company in which investments in subsidiaries and associate have been accounted for at cost less accumulated impairment losses, if any.

2.3 These condensed interim un-consolidated financial statements are unaudited and do not include all the information and disclosures of the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2019.



2.4 The figures included in the condensed interim un-consolidated statement of profit or loss for the quarters ended December 31, 2019 and 2018 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2019 and 2018.

2.5 Changes in accounting standards, interpretations and amendments to published approved accounting standards

2.5.1 Amendments to published approved accounting standards which are effective during the half year ended December 31, 2019:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Company's annual accounting period beginning on July 1, 2019; however, these do not have any significant impact on these condensed interim un-consolidated financial statements, hence not detailed.

2.5.2 Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these amendments will not have any significant impact on the financial reporting of the Company, therefore, have not been disclosed in these condensed interim un-consolidated financial statements.

2.6 Functional and reporting currency

These condensed interim un-consolidated financial statements are presented in Pakistani Rupee (Rupees), which is the Company's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim un-consolidated financial statements were the same as those applied to the audited financial statements as at and for the year ended June 30, 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim un-consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited financial statements as at and for the year ended June 30, 2019.

	Note	(Rupees in Thousand) December 2019 (Un-audited)	June 2019 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	2,072,682	2,163,271
Capital work in progress	5.2	1,451,326	196,133
		<u>3,524,008</u>	<u>2,359,404</u>

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transferred from Capital work in progress

	(Rupees in Thousand)	
	Half year ended December 2019	Half year ended December 2018
Plant and machinery	27,605	270,142
Furniture and fixture	-	2,510
Factory equipment	8,201	16,983
Office equipment	-	1,425
Motor vehicles	47,373	36,263
	<u>83,179</u>	<u>327,323</u>
Disposals at NBV during the period		
Plant and machinery	-	1,465
Office equipment	53	-
Motor vehicles	3,548	3,534
	<u>3,601</u>	<u>4,999</u>

5.2 Capital work in progress

Balance as at 01st July	196,133	156,577
Additions	1,255,193	256,310
Transfer to Operating fixed assets	-	(270,097)
Balance as at 31st December	<u>1,451,326</u>	<u>142,790</u>

6 STOCK IN TRADE

These include finished goods costing Rs.532.316 million (June 2019: Rs.132.461 million) valued at net realisable value of Rs.456.725 million (June 2019: Rs.88.900 million).

7 SHARE CAPITAL

(Number of Shares)			(Rupees in Thousand)	
December 2019 (Un-audited)	June 2019 (Audited)		December 2019 (Un-audited)	June 2019 (Audited)
7.1 Authorised capital				
95,000,000	95,000,000	Ordinary shares of Rs. 10 each	<u>950,000</u>	<u>950,000</u>
7.2 Issued, subscribed and paid up capital				
30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>

8 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 8.1** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the Petitioners. However, in June 2016, Defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU. However, the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise the bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court amounting to Rs.47.667 million (June 2019: Rs.47.667 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2019: Rs.40.194 million). On October 04, 2018, OGRA has issued notification to increase the gas tariff with effect from September 27, 2018 for different categories and the Company is paying full amount of the gas bills as per notification.
- 8.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Company with effect from September 2013. The Company alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However, the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise the bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court (refer note 8.1). As an abundant precaution, the Company has made provision of Rs.15.977 million (June 2019: Rs.15.977 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued notification to increase the gas tariff with effect from September 27, 2018 for different categories and the Company is paying full amount of the gas bills as per notification.
- 8.3** Provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited amounted to Rs.5.683 million (June 2019: Rs.5.369 million). The associated company had filed a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated Company. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court.
- 8.4** The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and

Maintenance of Infrastructure Cess Act, 2017. The Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Company has provided bank guarantee amounting to Rs.193.365 million (June 2019: Rs.178.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 9.2). Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in these condensed interim un-consolidated financial statements as an abundant precaution.

- 8.5** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.65.752 million till June 30, 2018, as after that it was allowed for input tax adjustment.

- 8.6** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Company had challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.27.636 million (June 2019: Rs.20.792 million).

- 8.7** Provision of Gas Infrastructure Development Cess Rs.7.073 million (June 2019: Rs.6.591 million) and rate difference of gas tariff Rs.1.919 million (June 2019: Rs.1.718 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

9 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

9.1 Contingencies

- 9.1.1** FBR initiated action against few customers of the Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Company had, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others. Realizing the facts of the case, circumstances and legal position, the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to un-consolidated statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- 9.1.2** The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Company alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of Petitioners. However, Defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court against only one of the leading petitioner but not against the Company.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Company is confident that the case will be decided in favour of the Petitioners. Total amount of enhanced GIDC upto December 31, 2019 worked out at Rs.154.481 million (June 2019: Rs.145.554 million), however the Company accounted for Rs.115.143 million (June 2019: Rs.106.216 million) pertaining to the period of July 2014 to December 2019 for Captive Power and June 2015 to December 2019 for Industrial as an abundant precaution.

- 9.1.3** The Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Company. No provision of the amount involved i.e. Rs.23.320 million (June 2019: Rs.21.726 million) has been made in these condensed interim un-consolidated financial statements as the Company is confident for the favorable outcome of the Petition.

- 9.1.4** The Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted persons. The Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). No provision has been made in these condensed interim un-consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.

- 9.1.5** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs.37.773 million was raised on various issues. Out of the total amount, the Company paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Company whereas major issues were decided in favour of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided the case in favour of the Company. Based on the said judgment of the ATIR, partial demand of Rs.3.777 million earlier paid by the Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.

- 9.1.6** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs.25.888 million was raised on various issues. Out of the total amount, the Company paid Rs.2.589 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Company. Appeal has been filed by the Company as well as the tax department before Appellate Tribunal Inland Revenue, however, no hearing has been conducted till date. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company.
- 9.1.7** The tax officer alleged the Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Company. Appeal was filed before Commissioner Inland Revenue (Appeals), which was decided in favours of the Company. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date. The Company has filed sales tax refund application in respect of the impugned demand adjusted by the tax department.
- 9.1.8** The case of the Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the Income Tax return. Subsequently, the tax department against initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue against which the Company has moved rectification application against which rectified order was issued. Moreover, the Company has also filed an appeal before Commissioner Inland Revenue (Appeals) to secure its interest in case rectification application is rejected by the concerned tax officer. Commissioner Inland Revenue (Appeals) has decided the matter partially in favour of the Company. Considering that the matter decided against the Company has no material impact, therefore, the Company is not proceeding to file appeal before the Appellate Tribunal Inland Revenue. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date.
- 9.1.9** The Company has filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the Court. Till reporting date, the Company has provided 100% bank guarantee amounting to Rs.15.209 million (refer note 9.2).
- 9.1.10** Through Finance Act, 2019, the Government has reduced tax credit available on new investment to 5% from 10% with retrospective effect. Consequently, the involving tax credit of Rs.42 million to the Company was disallowed. The Company has challenged the provision of Finance Act, 2019 before the honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Company to claim 10% tax credit on investment in Plant & Machinery. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company, hence has not considered the same as liability.



(Rupees in Thousand)
December
2019
(Un-audited)

June
2019
(Audited)

9.2 Guarantees

Bank Guarantees in favour of:

The Director Excise and Taxation, Karachi	193,365	178,365
The Electric Inspector, President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	40,000	40,000
K-Electric Limited	11,560	11,560
Nazir of the High Court of Sindh, Karachi	15,209	-

Letters of Credit in favour of:

Sui Southern Gas Company Limited for Gas	32,592	30,992
	292,736	260,927

9.3 Commitments

The Company's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:

Property, plant and equipment	1,222,241	1,046,130
Raw material	93,246	346,064
Spare parts and others	88,438	91,457
	1,403,925	1,483,651

Local currency:

Raw material	110,710	-
Spare parts and others	-	40,161
	110,710	40,161
	1,514,635	1,523,812

Half year ended
December
2019

Half year ended
December
2018

10 INVESTMENT INCOME - DIVIDEND

From wholly owned subsidiary company -

Messrs. Gatro Power (Private) Limited	67,725	451,500
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From associated company - Messrs. Novatex Limited

396,900	453,600
464,625	905,100

11 INCOME TAX

Provision for taxation includes current year provision of Rs.158.740 million (December 2018: Rs.197.333 million), prior year of Rs.0.026 million (December 2018: Rs.3.833 million) and has been net off with tax credit amounting to Rs.Nil (December 2018: Rs.28.823 million) available under section 65B of Income Tax Ordinance, 2001.

12 MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's certain accounting policies and disclosure requires use of fair value measurement and the Company while assessing fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment and long term investments in subsidiaries and associate. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost, whereas long term investment in subsidiaries and associate carried at cost less accumulated impairment, if any. The Company does not expect that unobservable inputs may have significant effect on fair values.

13 SEGMENT REPORTING

13.1 Reportable segments

The Company's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preforms - it comprises manufacturing of Polyester PET Preforms and its raw material.

Other operating expenses, other income, finance costs and taxation are managed at Company level.

13.2 Segment results:

The segment information for the reportable segments for the half year ended December 31, 2019 is as follows:



(Rupees in Thousand)

	December 2019			December 2018		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	<u>5,272,509</u>	<u>1,364,808</u>	<u>6,637,317</u>	<u>6,292,933</u>	<u>1,706,348</u>	<u>7,999,281</u>
Segment result before depreciation	<u>353,943</u>	<u>85,436</u>	<u>439,379</u>	<u>577,742</u>	<u>218,089</u>	<u>795,831</u>
Less: Depreciation	<u>(137,711)</u>	<u>(32,456)</u>	<u>(170,167)</u>	<u>(103,680)</u>	<u>(33,780)</u>	<u>(137,460)</u>
Segment result after depreciation	<u>216,232</u>	<u>52,980</u>	<u>269,212</u>	<u>474,062</u>	<u>184,309</u>	<u>658,371</u>
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			<u>269,212</u>			658,371
Other operating expenses			<u>(29,480)</u>			(96,582)
Other income			<u>28,599</u>			4,202
Finance costs			<u>(76,946)</u>			(1,961)
Investment income - Dividend			<u>464,625</u>			905,100
Profit before income tax			<u>656,010</u>			<u>1,469,130</u>

Assets and liabilities by segments are as follows:

	December 2019			June 2019		
	(Un-audited)			(Audited)		
Segment assets	<u>6,743,340</u>	<u>2,356,962</u>	<u>9,100,302</u>	<u>4,280,373</u>	<u>2,702,702</u>	<u>6,983,075</u>
Segment liabilities	<u>1,694,867</u>	<u>307,412</u>	<u>2,002,279</u>	<u>723,986</u>	<u>510,631</u>	<u>1,234,617</u>
Reconciliation of segments assets and liabilities with total in the condensed interim un-consolidated statement of financial position is as follows:						
	Assets		Liabilities	Assets		Liabilities
Total for reportable segments	<u>9,100,302</u>		<u>2,002,279</u>	<u>6,983,075</u>		<u>1,234,617</u>
Unallocated	<u>2,134,920</u>		<u>4,006,700</u>	<u>1,766,968</u>		<u>2,211,428</u>
Total as per condensed interim un-consolidated statement of financial position	<u>11,235,222</u>		<u>6,008,979</u>	<u>8,750,043</u>		<u>3,446,045</u>

Other segment information is as follows:

	December 2019			December 2018		
Depreciation	<u>137,711</u>	<u>32,456</u>	<u>170,167</u>	<u>103,680</u>	<u>33,780</u>	<u>137,460</u>
Capital expenditures incurred during the period	<u>1,302,548</u>	<u>2,975</u>	<u>1,305,523</u>	<u>298,928</u>	<u>6,512</u>	<u>305,440</u>
Unallocated capital expenditure incurred during the period			<u>29,996</u>			<u>8,096</u>
Total			<u>1,335,519</u>			<u>313,536</u>

13.3 99.39% (December 2018 : 99.27%) out of total sales of the Company relates to customers in Pakistan.

13.4 All non-current assets of the Company as at December 31, 2019 are located in Pakistan.

13.5 The Company does not have transaction with any external customer which amount to 10 percent or more of the Company's revenue.

14 TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiaries, Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Half year ended December 2019	Half year ended December 2018
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	942,109	934,924
			Dividend income	67,725	451,500
			Plant operation arrangement	18,000	18,000
			Reimbursement of expenses	382	847
G-Pac Energy (Private) Limited	Subsidiary Company	100% ownership	Investment made	5,500	10
			Subscriptions money against issuance of shares	244,490	5,029
			Long term loan	112,419	-
Novatex Limited	Associated Company	Common directorship	Sales of goods	75,043	-
			Obtaining of services	294,322	332,489
			Purchase of raw material	38	-
			Dividend income	396,900	453,600
			Rent	10,474	9,242
Krystalite Product (Private) Limited	Related Party	Common management	Reimbursement of expenses	92,109	83,877
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	101,251	231,034
			Reimbursement of expenses	-	292
Gani & Tayub (Private) Limited	Related Party	Common directorship	Sale of goods	9,955	50,833
Gatron Foundation	Related Party	Common directorship	Payment of dividend	24,306	13,368
			Charges on account of handling	3,367	3,404
Gatron Foundation	Related Party	Common directorship	Payment of donation	4,220	1,385



Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				Half year ended December 2019	Half year ended December 2018
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	12,264	10,678
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	1,891	1,941

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.160.602 million (December 2018: Rs.130.368 million).

The above figures are exclusive of sales tax, where applicable.

Outstanding balances, as at reporting date, are disclosed as follows:

	(Rupees in Thousand)	
	As at December 31, 2019 (Un-audited)	As at June 30, 2019 (Audited)
Gatro Power (Private) Limited		
Other receivables	3,057	3,071
Trade and other payables	898,887	37,951
Novatex Limited		
Trade deposits and short term prepayments	10,474	-
Other receivables	17,142	11,961
Trade and other payables	14,675	13,678
Krystalite Product (Private) Limited		
Trade debts	58,122	87,212
Other receivables	-	87
Mushtaq & Company (Private) Limited		
Trade debts	36,128	24,633
Gani & Tayub (Private) Limited		
Trade and other payables	595	909
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	4,227	3,676
Gatron (Industries) Limited Workers Provident Fund		
Trade and other payables	251	571

15 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors, in its meeting held on January 15, 2020, has recommended interim cash dividend of Rs.12.50 per share. Since it is a non adjusting event, the condensed interim un-consolidated financial statements for the period ended December 31, 2019 do not include the effect of the recommended interim cash dividend.

16 DATE OF AUTHORISATION

These condensed interim un-consolidated financial statements were authorised for issue on January 15, 2020 by the Board of Directors of the Company.

17 GENERAL

17.1 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

17.2 Figures have been rounded off to the nearest thousand of Rupees.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



**Gatron (Industries) Limited
and Subsidiary Companies**

**Condensed Interim Consolidated
Financial Statements
For the Half Year ended
December 31, 2019**

Directors' Report

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the un-audited Condensed Interim Consolidated Financial Statements of the Group for the half year ended December 31, 2019.

The Group

The Group comprises of Gatron (Industries) Limited and its subsidiaries i.e. Gatro Power (Private) Limited, Global Synthetics Limited and G-Pac Energy (Private) Limited.

During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained below par due to increase in gas prices. In coming periods supply rate to Parent Company may be increased to cover escalation in power generation cost. This subsidiary company paid cash dividends amounting to Rs.67.725 million during the period.

M/s. Global Synthetics Limited has not yet commenced its operations till date.

It is expected that M/s. G-Pac Energy (Private) Limited will start its operations in the next financial year.

CONSOLIDATED FINANCIALS

(Pak Rupees in Thousand)

Operating results for the half year ended December 31, 2019

Profit before share of profit in associated company	288,512
Share of profit after income tax in associated company	1,142,360
Profit before income tax	1,430,872
Income Tax	269,220
Profit after income tax	1,161,652
Un- appropriated Profit brought forward	8,426,484
Un- appropriated Profit carried forward	9,004,069

State of Affairs as on December 31, 2019

Property, Plant and Equipment	5,156,782
Other non-current assets	9,171,836
Current assets	7,268,466
Total assets	21,597,084
Deduct:	
Non-current liabilities	2,797,653
Current liabilities	5,493,072
Total liabilities	8,290,725
Net assets financed by shareholders' equity	13,306,359

Pir Muhammad Diwan
Chief Executive

Muhammad Iqbal Bilwani
Director

January 15, 2020

گروپ کے جامع مالیاتی گوشواروں پر ڈائریکٹری رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 31 دسمبر، 2019ء کو ختم شدہ ششماہی مدت کیلئے گروپ ہڈا کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے بمسرت پیش کر رہے ہیں۔

گروپ:

یہ گروپ میسرز گیٹرون (انڈسٹریز) لمیٹڈ اور اس کے مکمل ماتحت اداروں میسرز گیٹروپاور (پرائیویٹ) لمیٹڈ، میسرز گلوبل سینٹھیک لمیٹڈ اور میسرز جی پیک ایجزی (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسرز گیٹروپاور (پرائیویٹ) لمیٹڈ کے آپریشنز گیس کی قیمتوں میں اضافے کی وجہ سے نجلی سطح پر رہے۔ آنے والی مدتوں میں پیرنٹ کمپنی کو سپلائی کی نرخ میں مزید اضافہ کیا جاسکتا ہے تاکہ بجلی کی پیداواری لاگت میں اضافہ وصول ہو سکے۔ زیر جائزہ مدت کے دوران اس مکمل ملکیتی ماتحت ادارے نے 67.725 ملین روپے کے نقد مافع منقسمہ کی ادائیگی کی۔

میسرز گلوبل سینٹھیکس لمیٹڈ نے ابھی تک اپنے آپریشنز شروع نہیں کئے۔

امید ہے کہ میسرز جی پیک ایجزی (پرائیویٹ) لمیٹڈ اپنے آپریشنز آئندہ مالی سال میں شروع کریں گی۔

جامع مالیات :

آپریٹنگ نتائج برائے ششماہی مدت ختمہ 31 دسمبر، 2019ء	(روپے 000)
منافع قبل از تعین مافع من منسلکہ کمپنیاں	288,512
منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس	1,142,360
منافع قبل از انکم ٹیکس	1,430,872
انکم ٹیکس	269,220
منافع بعد از انکم ٹیکس	1,161,652
غیر متصرف مافع گزشتہ (Un-appropriated profit brought forward)	8,426,484
غیر متصرف مافع حالیہ (Un-appropriated profit carried forward)	9,004,069
31 دسمبر، 2019ء تک معاملات کی صورتحال	
املاک، پلائنٹ اور ایکویپمنٹ	5,156,782
دیگر پائیدار اثاثہ جات	9,171,836
بدل پذیر اثاثہ جات	7,268,466
کل اثاثہ جات	21,597,084
کٹوتی :	
پائیدار واجبات	2,797,653
بدل پذیر واجبات	5,493,072
کل واجبات	8,290,725
خالص اثاثہ جات ادا شدہ مخانب ایکویٹی بائیہ حصص یافتگان	13,306,359

محمد قبال بلوانی
ڈائریکٹر

پیر محمد یوان
افسر اعلیٰ

15 جنوری، 2020ء

Condensed Interim Consolidated Statement Of Financial Position

AS AT DECEMBER 31, 2019

		(Rupees in Thousand)	
	Note	December 2019 (Un-audited)	June 2019 (Audited)
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	5,156,782	3,239,252
Long term investment		9,168,417	8,432,060
Long term loans		191	99
Long term deposits		3,228	2,723
		14,328,618	11,674,134
Current Assets			
Stores, spare parts and loose tools		966,578	942,242
Stock in trade	6	3,312,861	2,840,779
Trade debts	14	2,012,470	1,528,561
Loans and advances		116,061	79,492
Trade deposits and short term prepayments	14	79,940	65,849
Other receivables	14	335,902	247,302
Income tax refundable - payments less provision		88,167	-
Advance income tax		-	116,273
Sales tax refund due from Federal Government		111,418	142,375
Cash and bank balances		245,069	1,381,563
		7,268,466	7,344,436
TOTAL ASSETS		21,597,084	19,018,570
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	383,645	383,645
Capital reserve - share premium		383,645	383,645
General reserve		3,535,000	3,535,000
Unappropriated profit		9,004,069	8,426,484
		13,306,359	12,728,774
LIABILITIES			
Non - Current Liabilities			
Long term financing		1,105,761	126,540
Deferred liabilities	8	1,691,892	1,554,370
		2,797,653	1,680,910
Current Liabilities			
Trade and other payables	9 & 14	3,557,543	3,698,476
Unclaimed dividend		19,435	16,393
Accrued mark up		38,042	8,584
Short term borrowings		1,878,052	864,718
Provision for income tax less payments		-	20,715
		5,493,072	4,608,886
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		21,597,084	19,018,570

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



Condensed Interim Consolidated Statement Of Profit Or Loss (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

		(Rupees in Thousand)			
	Note	Oct-2019 to Dec-2019	Oct-2018 to Dec-2018	Jul-2019 to Dec-2019	Jul-2018 to Dec-2018
Sales		3,211,342	4,173,520	6,637,317	7,999,281
Cost of sales		2,914,093	3,802,690	6,036,712	6,928,894
Gross profit		297,249	370,830	600,605	1,070,387
Distribution and selling costs		37,890	34,812	79,691	83,595
Administrative expenses		82,028	76,804	150,951	129,134
Other operating expenses		15,218	53,810	30,087	99,763
		135,136	165,426	260,729	312,492
		162,113	205,404	339,876	757,895
Other income		4,043	1,817	26,375	4,401
Operating profit		166,156	207,221	366,251	762,296
Finance costs		57,907	973	77,739	2,164
		108,249	206,248	288,512	760,132
Share of profit after income tax in associated company		565,514	1,015,286	1,142,360	2,015,431
Profit before income tax		673,763	1,221,534	1,430,872	2,775,563
Income tax - Current & prior	11	48,207	109,266	158,766	172,343
- Deferred		84,828	97,288	110,454	242,545
		133,035	206,554	269,220	414,888
Profit after income tax		540,728	1,014,980	1,161,652	2,360,675
Earnings per share -					
Basic and diluted (Rupees)		14.09	26.46	30.28	61.53

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

	(Rupees in Thousand)			
	Oct-2019 to Dec-2019	Oct-2018 to Dec-2018	Jul-2019 to Dec-2019	Jul-2018 to Dec-2018
Profit after income tax	540,728	1,014,980	1,161,652	2,360,675
Other comprehensive income				
<i>Items that will never be reclassified to profit or loss</i>				
Gain on remeasurement of defined benefit plan having nil tax impact	503	-	503	-
Share of other comprehensive loss of associate - net of tax	-	-	(2,919)	(2,768)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive (loss)/income of associate - net of tax	-	-	(6,184)	1,831
	503	-	(8,600)	(937)
Total comprehensive income	<u>541,231</u>	<u>1,014,980</u>	<u>1,153,052</u>	<u>2,359,738</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer



Condensed Interim Consolidated Statement Of Changes In Equity (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	(Rupees in Thousand)				
Balances as at July 01, 2018	383,645	383,645	2,360,000	6,669,762	9,797,052
Total comprehensive income for the half year ended December 31, 2018	-	-	-	2,359,738	2,359,738
Transfer to General reserve	-	-	1,175,000	(1,175,000)	-
Transactions with owners					
Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50%	-	-	-	(316,507)	(316,507)
Balances as at December 31, 2018	383,645	383,645	3,535,000	7,537,993	11,840,283
Total comprehensive income for the half year ended June 30, 2019	-	-	-	1,329,683	1,329,683
Transactions with owners					
1st interim cash dividend for the year ended June 30, 2019 at Rs.9.50 per share i.e. @95%	-	-	-	(364,463)	(364,463)
2nd interim cash dividend for the year ended June 30, 2019 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
	-	-	-	(441,192)	(441,192)
Balances as at June 30, 2019	383,645	383,645	3,535,000	8,426,484	12,728,774
Total comprehensive income for the half year ended December 31, 2019	-	-	-	1,153,052	1,153,052
Transactions with owners					
Final cash dividend for the year ended June 30, 2019 at Rs.15.00 per share i.e. @150%	-	-	-	(575,467)	(575,467)
Balances as at December 31, 2019	383,645	383,645	3,535,000	9,004,069	13,306,359

(1) Included in un-appropriated profit, is a sum of Rs.8,601.417 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto September 30, 2019, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement Of Cash Flows (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	(Rupees in Thousand)	
	Jul-2019 to Dec-2019	Jul-2018 to Dec-2018
Cash Flows (towards)/from Operating Activities		
Profit before income tax	1,430,872	2,775,563
Adjustments for:		
Depreciation	226,989	188,557
Provision for defined benefit plan	31,859	18,678
Gain on disposal of property, plant and equipment	(4,294)	(3,403)
Loss on disposal of property, plant and equipment	40	33
Provision of allowance for ECL - net	9,166	394
Provision for slow moving stores, spare parts and loose tools - net	3,879	5,102
Share of profit after income tax in associated company	(1,142,360)	(2,015,431)
Finance costs	77,739	2,164
	<u>(796,982)</u>	<u>(1,803,906)</u>
	633,890	971,657
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(28,215)	(60,446)
Stock in trade	(472,082)	(588,565)
Trade debts	(493,075)	(106,423)
Loans and advances	(35,096)	(4,443)
Trade deposits and short term prepayments	(14,091)	(59,972)
Other receivables	(88,600)	(187,288)
Sales tax refund due from Federal Government	30,957	-
	<u>(1,100,202)</u>	<u>(1,007,137)</u>
Decrease in Trade and other payables	(159,706)	(105,454)
Cash flows towards operations before following	<u>(626,018)</u>	<u>(140,934)</u>
(Payments for)/receipts of:		
Long term loans	(1,565)	857
Long term deposits	(505)	30
Defined benefit plan	(4,288)	(2,491)
Finance costs	(48,281)	(1,878)
Income tax	(168,963)	(85,477)
Net cash flows towards operating activities	<u>(849,620)</u>	<u>(229,893)</u>
Cash Flows (towards)/from Investing Activities		
Additions in property, plant and equipment	(2,111,759)	(448,939)
Proceeds from disposal of property, plant and equipment	7,855	8,369
Dividend received from associated company	396,900	-
Net cash flows towards investing activities	<u>(1,707,004)</u>	<u>(440,570)</u>
Cash Flows from/(towards) Financing Activities		
Long term financing - proceed	979,221	-
Dividend paid	(572,425)	(314,221)
Net cash flows from/(towards) financing activities	<u>406,796</u>	<u>(314,221)</u>
Net decrease in cash and cash equivalents	<u>(2,149,828)</u>	<u>(984,684)</u>
Cash and cash equivalents at the beginning of the period	<u>516,845</u>	<u>797,600</u>
Cash and cash equivalents at the end of the period	<u>(1,632,983)</u>	<u>(187,084)</u>
CASH AND CASH EQUIVALENTS COMPRISE OF :		
Cash and bank balances	245,069	327,304
Short term borrowings	(1,878,052)	(514,388)
	<u>(1,632,983)</u>	<u>(187,084)</u>

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



Notes To The Condensed Interim Consolidated Financial Statements (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

- Gatron (Industries) Limited
- Gatro Power (Private) Limited
- Global Synthetics Limited
- G-Pac Energy (Private) Limited

The Parent Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at the Pakistan Stock Exchange Limited since 1992. The principal business of the Parent Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Parent Company also produces PET Preforms. The registered office of the Parent Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Parent Company is situated at Plot No.441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Parent Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

Gatro Power (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta. The plant of the Subsidiary Company is situated at Plot No.441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The registered office of the Subsidiary Company is situated at Room No.50, 2nd Floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

G-Pac Energy (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

2 BASIS OF PREPARATION

- 2.1** These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2019.

2.3 Changes in accounting standards, interpretations and amendments to published approved accounting standards

2.3.1 Amendments to published approved accounting standards which are effective during the half year ended December 31, 2019:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Group's annual accounting period beginning on July 1, 2019; however, these do not have any significant impact on these condensed interim consolidated financial statements, hence not detailed.

2.3.2 Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2020. However, these amendments will not have any significant impact on the financial reporting of the Group, therefore, have not been disclosed in these condensed interim consolidated financial statements.

2.4 Functional and reporting currency

These condensed interim consolidated financial statements are presented in Pakistani Rupee (Rupees), which is the Group's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended June 30, 2019.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited consolidated financial statements as at and for the year ended June 30, 2019.

		(Rupees in Thousand)	
	Note	December 2019 (Un-audited)	June 2019 (Audited)
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	2,893,083	2,973,233
Capital work in progress	5.2	2,263,699	266,019
		<u>5,156,782</u>	<u>3,239,252</u>



5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transferred from Capital work in progress

	Half year ended December 2019	Half year ended December 2018
Plant and machinery	94,866	361,174
Furniture and fixture	-	2,510
Factory equipment	8,201	17,756
Office equipment	-	1,425
Motor vehicles	47,373	36,263
	<u>150,440</u>	<u>419,128</u>
Disposals at NBV during the period		
Plant and machinery	-	1,465
Office equipment	53	-
Motor vehicles	3,548	3,534
	<u>3,601</u>	<u>4,999</u>

5.2 Capital work in progress

Balance as at 01st July	266,019	187,829
Additions	2,064,941	392,053
Transfer to Operating fixed assets	(67,261)	(361,076)
Balance as at 31st December	<u>2,263,699</u>	<u>218,806</u>

6 STOCK IN TRADE

These include finished goods costing Rs.532.316 million (June 2019: Rs.132.461 million) valued at net realisable value of Rs.456.725 million (June 2019: Rs.88.900 million).

7 SHARE CAPITAL

(Number of Shares)			(Rupees in Thousand)	
December 2019 (Un-audited)	June 2019 (Audited)		December 2019 (Un-audited)	June 2019 (Audited)
7.1 Authorised capital				
95,000,000	95,000,000	Ordinary shares of Rs. 10 each	<u>950,000</u>	<u>950,000</u>
7.2 Issued, subscribed and paid up capital				
30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	<u>301,361</u>	<u>301,361</u>
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	<u>82,284</u>	<u>82,284</u>
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>

	(Rupees in Thousand)	
	December 2019 (Un-audited)	June 2019 (Audited)
8 DEFERRED LIABILITIES		
Income tax - net	1,290,213	1,179,759
Defined benefit plan	401,679	374,611
	<u>1,691,892</u>	<u>1,554,370</u>

9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 9.1** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the Petitioners. However, in June 2016, Defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU. However the Group alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court amounting to Rs.316.797 million (June 2019: Rs.316.797 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2019: Rs.159.264 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Group is paying full amount of the gas bills as per this notification.
- 9.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Group with effect from September 2013. The Group alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However the Group alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court (refer note 9.1). As an abundant precaution, the Group has made provision of Rs.287.907 million (June 2019: Rs.287.907 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Group is paying full amount of the gas bills as per this notification.
- 9.3** Provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited amounted to Rs.5.683 million (June 2019: Rs.5.369 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court.

- 9.4** The Parent Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Parent Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.193.365 million (June 2019: Rs.178.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 10.2). Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed a petition in the Sindh High Court on April 13, 2018 against Province of Sindh and others at Karachi challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.7.500 million (June 2019: Rs.7.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 10.2). Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. G-Pac Energy (Private) Limited has filed a petition in the Sindh High Court at Karachi on June 24, 2019 against Province of Sindh and others challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Company has provided bank guarantee amounting to Rs.2.500 million (June 2019: Rs. Nil) in favour of Excise and Taxation Department, in respect of consignments cleared (refer note 10.2). Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision has been made in these condensed interim consolidated financial statements as an abundant precaution.

- 9.5** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Parent Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.65.752 million till June 30, 2018, as after that it was allowed for input tax adjustment.

- 9.6** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Parent Company had challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.27.636 million (June 2019: Rs.20.792 million).

- 9.7** Provision of Gas Infrastructure Development Cess Rs.7.073 million (June 2019: Rs.6.591 million) and rate difference of gas tariff Rs.1.919 million (June 2019: Rs.1.718 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

10.1 Contingencies

- 10.1.1** The Subsidiary Company Messrs. Gatro Power (Private) Limited has not made any provision in respect of Workers' Profit Participation Fund on the ground that there is no worker as defined in The Companies Profits (Workers' Participation) Act, 1968 and accordingly, the said Act does not apply to the Subsidiary Company. The management of the Subsidiary Company is confident that no liability will arise on this account.

- 10.1.2** FBR initiated action against few buyers of the Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Parent Company had, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others. Realizing the facts of the case, circumstances and legal position, the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to consolidated statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- 10.1.3** The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Group alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of Petitioners. However, Defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court against only one of the leading petitioner but not against the Group.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Group is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto December 31, 2019 worked out at Rs.1,659.813 million (June 2019: Rs.1,513.241 million), however the Group accounted for Rs.1,457.799 million (June 2019: Rs.1,311.227 million) pertaining to the period of July 2014 to December 2019 for Captive Power and June 2015 to December 2019 for Industrial as an abundant precaution.

- 10.1.4** The Parent Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Parent Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Parent Company. No provision of the amount involved i.e. Rs.23.320 million (June 2019: Rs.21.726 million) has been made in these consolidated financial statements as the Parent Company is confident for the favorable outcome of the Petition.
- 10.1.5** The Parent Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted persons. The Parent Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). No provision has been made in these consolidated financial statements as the Parent Company is confident that the matter will be decided in favour by the appellate authorities.
- 10.1.6** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs.37.773 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Parent Company whereas major issues were decided in favour of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs.28.2 million. Against the order of the CIR(A), the Parent Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided case in favour of the Parent Company. Based on the said judgment of the ATIR, partial demand of Rs.3.777 million earlier paid by the Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 10.1.7** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs.25.888 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.2.589 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Parent Company. Appeal has been filed by the Parent Company as well as the tax department before Appellate Tribunal Inland Revenue, however, no hearing has been conducted till date. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company.
- 10.1.8** The tax officer alleged the Parent Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The Parent Company has filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Parent Company. Appeal was filed before Commissioner Inland Revenue (Appeals), which was decided in favours of the Parent Company. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date. The Parent Company has filed sales tax refund application in respect of the impugned demand adjusted by the tax department.

- 10.1.9** The case of the Parent Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)/(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the Income Tax return. Subsequently, the tax department against initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue against which the Parent Company has moved rectification application against which rectified order was issued. Moreover, the Parent Company has also filed an appeal before Commissioner Inland Revenue (Appeals) to secure its interest in case rectification application is rejected by the concerned tax officer. Commissioner Inland Revenue (Appeals) has decided the matter partially in favour of the Parent Company. Considering that the matter decided against the Parent Company has no material impact, therefore, the Parent Company is not proceeding to file appeal before the Appellate Tribunal Inland Revenue. Tax Department has not filed an appeal in Appellate Tribunal Inland Revenue till date.
- 10.1.10** The Parent Company has filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the Court. Till reporting date, the Parent Company has provided 100% bank guarantee amounting to Rs.15.209 million (refer note 10.2).
- 10.1.11** Through Finance Act, 2019, the Government has reduced tax credit available on new investment to 5% from 10% with retrospective effect. Consequently, the involving tax credit of Rs.42 million to the Parent Company was disallowed. The Parent Company has challenged the provision of Finance Act, 2019 before the honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Parent Company to claim 10% tax credit on investment in Plant & Machinery. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company, hence has not considered the same as liability.
- 10.1.12** The tax officer disallowed input sales tax amounting to Rs.0.042 million, claimed by the Subsidiary Company Messrs. Gatro Power (Private) Limited on building materials used for installation of plant and machinery for tax period February 2017. An appeal was filed against the said order before the CIR(A). The learned CIR(A) has remanded back the case to the tax officer with specific directions to first ascertain whether the building material was used for installation of plant and machinery or for any other purpose. In case the same was used for installation of plant and machinery then the tax officer has been directed to allow claim for the same. The Subsidiary Company has submitted documents evidencing usage of the said building material for installation of plant and machinery, however, the officer has not yet reverted back, moreover, the tax department has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against allowance of input tax adjustment on building material used for installation of plant and machinery. No provision has been made in these condensed interim consolidated financial statements as the management is hopeful for a favourable outcome.
- 10.1.13** The tax officer through another order again disallowed input sales tax amounting to Rs.0.109 million, claimed by the Subsidiary Company Messrs. Gatro Power (Private) Limited on building materials used for installation of Plant and machinery for tax period February 2017. The Subsidiary Company has filed an appeal against the said order before the Commissioner Inland Revenue (Appeals), which is pending for hearing.



10.1.14 Tax department initiated monitoring of withholding proceedings against the Subsidiary Company Messrs. Gatro Power (Private) Limited for tax year 2011 wherein demand of Rs.47.408 million including default surcharge and penalty was raised on account of intercorporate dividend paid to Parent Company. The Subsidiary Company had filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department which was decided in favour of the Subsidiary Company on ground of the order being time barred whereas on other grounds the appeal was dismissed. Accordingly, both the Subsidiary Company as well as the tax department have filed an appeal before the Appellate Tribunal Inland Revenue, which is pending at present. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Subsidiary Company.

10.1.15 Tax department raised demand of Rs.14.101 million and Rs.103.346 million against the Subsidiary Company Messrs. Gatro Power (Private) Limited on the basis of order passed for monitoring of tax withholding for tax years 2014 and 2015 respectively. Appeal was filed before the Commissioner Inland Revenue (Appeals), which was decided in favour of the Subsidiary Company. However, tax department has filed appeals before Appellate Tribunal Inland Revenue, hearing of which is pending. Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Subsidiary Company.

(Rupees in Thousand)
December **June**
2019 **2019**
(Un-audited) **(Audited)**

10.2 Guarantees

Bank Guarantees in favour of:

The Director Excise and Taxation, Karachi	203,365	185,865
The Electric Inspector, President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	40,000	40,000
K-Electric Limited	11,560	11,560
Nazir of the High Court of Sindh, Karachi	15,209	-

Letters of Credit in favour of:

Sui Southern Gas Company Limited for Gas	244,592	163,992
	514,736	401,427

10.3 Commitments

The Group's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:

Property, plant and equipment	1,222,241	1,596,780
Raw material	93,246	346,064
Spare parts and others	91,534	94,321
	1,407,021	2,037,165

Local currency:

Raw material	110,710	-
Spare parts and others	-	40,161
	110,710	40,161
	1,517,731	2,077,326

11 INCOME TAX

Provision for taxation includes current year provision of Rs.158.740 million (December 2018: Rs.197.333 million), prior year of Rs.0.026 million (December 2018: Rs.3.833 million) and has been net off with tax credit amounting to Rs.Nil (December 2018: Rs.28.823 million) available under section 65B of Income Tax Ordinance, 2001.

12 MEASUREMENT OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group's certain accounting policies and disclosure requires use of fair value measurement and the Group while assessing fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.

Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date, the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. The Group does not expect that unobservable inputs may have significant effect on fair values.

13 SEGMENT REPORTING

13.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.
- Electric Power generation - it comprises operations of Subsidiary Companies Messrs. Gatro Power (Private) Limited and Messrs. G-Pac Energy (Private) Limited.

Other operating expenses, other income, finance costs and taxation are managed at Group level.



13.2 Segment results:

The segment information for the reportable segments for the half year ended December 31, 2019 is as follows:

(Rupees in Thousand)

	December 2019					December 2018				
	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group
Sales	<u>5,272,509</u>	<u>1,364,808</u>	<u>6,637,317</u>	<u>942,109</u>	<u>7,579,426</u>	<u>6,292,933</u>	<u>1,706,348</u>	<u>7,999,281</u>	<u>934,924</u>	<u>8,934,205</u>
Segment result before depreciation	<u>353,943</u>	<u>85,435</u>	<u>439,378</u>	<u>157,574</u>	<u>596,952</u>	<u>577,742</u>	<u>218,088</u>	<u>795,830</u>	<u>250,385</u>	<u>1,046,215</u>
Less: Depreciation	<u>(137,711)</u>	<u>(32,456)</u>	<u>(170,167)</u>	<u>(56,822)</u>	<u>(226,989)</u>	<u>(103,680)</u>	<u>(33,780)</u>	<u>(137,460)</u>	<u>(51,097)</u>	<u>(188,557)</u>
Segment result after depreciation	<u>216,232</u>	<u>52,979</u>	<u>269,211</u>	<u>100,752</u>	<u>369,963</u>	<u>474,062</u>	<u>184,308</u>	<u>658,370</u>	<u>199,288</u>	<u>857,658</u>

Reconciliation of segment sales and results with sales and profit before income tax:

Total sales for reportable segments				<u>7,579,426</u>						8,934,205
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited				<u>(942,109)</u>						(934,924)
Sales				<u>6,637,317</u>						<u>7,999,281</u>
Total results for reportable segments			<u>269,211</u>	<u>100,752</u>	<u>369,963</u>			<u>658,370</u>	<u>199,288</u>	<u>857,658</u>
Other operating expenses			<u>(29,504)</u>	<u>(1,230)</u>	<u>(30,734)</u>			<u>(96,582)</u>	<u>(3,265)</u>	<u>(99,847)</u>
Other income			<u>28,599</u>	<u>913</u>	<u>29,512</u>			<u>4,202</u>	<u>199</u>	<u>4,401</u>
Finance costs			<u>(76,946)</u>	<u>(3,308)</u>	<u>(80,254)</u>			<u>(1,961)</u>	<u>(203)</u>	<u>(2,164)</u>
Investment income - Dividend			<u>464,625</u>	<u>-</u>	<u>464,625</u>			<u>905,100</u>	<u>-</u>	<u>905,100</u>
Share of profit after income tax in associated company Messrs. Novatex Limited					<u>1,142,360</u>					<u>2,015,431</u>
			<u>655,985</u>	<u>97,127</u>	<u>1,895,472</u>			<u>1,469,129</u>	<u>196,019</u>	<u>3,680,579</u>
Elimination of intra group transaction					<u>(464,600)</u>					<u>(905,016)</u>
Profit before income tax					<u>1,430,872</u>					<u>2,775,563</u>

Assets and liabilities by segments are as follows:

	December 2019					June 2019				
	(Un-audited)					(Audited)				
Segment assets	<u>6,743,340</u>	<u>2,356,999</u>	<u>9,100,339</u>	<u>3,065,156</u>	<u>12,165,495</u>	<u>4,280,373</u>	<u>2,702,764</u>	<u>6,983,137</u>	<u>2,497,710</u>	<u>9,480,847</u>
Segment liabilities	<u>1,694,867</u>	<u>307,436</u>	<u>2,002,303</u>	<u>1,974,153</u>	<u>3,976,456</u>	<u>723,986</u>	<u>510,655</u>	<u>1,234,641</u>	<u>1,715,039</u>	<u>2,949,680</u>

Reconciliation of segments assets and liabilities with total in the condensed interim consolidated statement of financial position is as follows:

	(Rupees in Thousand)			
	December 2019 (Un-audited)		June 2019 (Audited)	
	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	12,165,495	3,976,456	9,480,847	2,949,680
Unallocated	10,856,337	5,296,913	9,752,028	3,391,187
Elimination of intra group balances	(1,424,748)	(982,644)	(214,305)	(51,071)
Total as per condensed interim consolidated statement of financial position	21,597,084	8,290,725	19,018,570	6,289,796

Other segment information is as follows:

	December 2019					December 2018				
	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preforms	Total of Polyester Polymer	Power Generation	Group
Depreciation	137,711	32,456	170,167	56,822	226,989	103,680	33,780	137,460	51,097	188,557
Capital expenditures incurred during the period	1,302,548	2,975	1,305,523	776,240	2,081,763	298,928	6,512	305,440	135,403	440,843
Unallocated capital expenditure incurred during the period					29,996					8,096
Total					2,111,759					448,939

13.3 All non-current assets of the Group as at December 31, 2019 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

13.4 The Group does not have transaction with any external customer which amount to 10 percent or more of the Group's revenue.

14 TRANSACTIONS WITH RELATED PARTIES

The related parties include Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:



(Rupees in Thousand)					
Name	Nature of relationship	Basis of relationship	Nature of transaction	Half year ended December 2019	Half year ended December 2018
Novatex Limited	Associated Company	Common directorship	Sales of goods	75,043	-
			Obtaining of services	294,322	332,489
			Purchase of raw material	38	-
			Dividend income	396,900	453,600
			Rent	10,474	9,242
			Reimbursement of expenses	92,109	83,877
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	101,251	231,034
			Reimbursement of expenses	-	292
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	9,955	50,833
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	24,306	13,368
			Charges on account of handling	3,367	3,404
Gatron Foundation	Related Party	Common directorship	Payment of donation	4,220	1,385
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	12,414	10,815
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	1,891	1,941

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.163.088 million (December 2018: Rs.133.147 million).

The above figures are exclusive of sales tax, where applicable.

Outstanding balances, as at reporting date, are disclosed as follows:

(Rupees in Thousand)		
	As at Dec 31, 2019 (Un-audited)	As at Jun 30, 2019 (Audited)
Novatex Limited		
Trade deposits and short term prepayments	10,474	-
Other receivables	17,142	11,961
Trade and other payables	14,675	13,678

	(Rupees in Thousand)	
	As at Dec 31, 2019 (Un-audited)	As at Jun 30, 2019 (Audited)
Krystalite Product (Private) Limited		
Trade debts	58,122	87,212
Other receivables	-	87
Mushtaq & Company (Private) Limited		
Trade debts	36,128	24,633
Gani & Tayub (Private) Limited		
Trade and other payables	595	909
Gatron (Industries) Limited Staff Provident Fund		
Trade and other payables	4,227	3,676
Gatron (Industries) Limited Workers Provident Fund		
Trade and other payables	251	571

15 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company, in its meeting held on January 15, 2020, has recommended interim cash dividend of Rs.12.50 per share. Since it is a non adjusting event, the condensed interim consolidated financial statements for the period ended December 31, 2019 do not include the effect of the recommended interim cash dividend.

16 DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on January 15, 2020 by the Board of Directors of the Parent Company.

17 GENERAL

17.1 The latest available un-audited financial results of associate as on September 30, 2019, have been used for the purpose of application of equity method in valuation of long term investment.

17.2 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

17.3 Figures have been rounded off to the nearest thousand of Rupees.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer



To all the Shareholders,

NOTICE OF BOOK CLOSURE INTERIM CASH DIVIDEND

We are pleased to inform all the shareholders of the Company that the Interim Cash Dividend of Rs. 12.50 per share i.e., 125% has been declared by the Board of Directors of Gatron (Industries) Limited at its meeting held on January 15, 2020.

The Share Transfer Books of the Company will remain closed for entitlement of this interim cash dividend from February 04, 2020 to February 11, 2020 (both days inclusive). The dividend will be paid to the shareholders of the company whose names appear in the Register of Members at the close of business on February 03, 2020.

Pursuant to Section 242 of the Companies Act, 2017, listed companies are required to pay cash dividend directly into the bank accounts of their shareholders electronically instead of paying dividend through physical dividend warrants. Therefore, it has become mandatory for all our valued shareholders to provide their International Bank Account Numbers (IBAN) and other relevant details of bank account to facilitate the payment of cash dividend through electronic mode. In case of non-compliance of the aforesaid requirement, such dividend could be withheld according to directives of Securities and Exchange Commission of Pakistan.

For the convenience of shareholders E-Dividend Mandate Form is attached and available on the Company's website <http://www.gatron.com>.

By Order of the Board

Muhammad Yasin Bilwani
Company Secretary

Karachi: January 15, 2020

NOTES FOR MEMBERS

Submission of Computerized National Identity Cards (CNIC) / (SNIC) or (NICOP)

Submission of copy of CNIC / SNIC or NICOP by the shareholder to the company is mandatory requirement for payment of dividend. Shareholders are therefore, requested to submit copies of their CNIC / SNIC or NICOP to the Company's Shares Registrar, M/s. C&K Management Associates (Pvt) Limited at Room No. 404, 4th Floor, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi. In case of non-receipt of valid CNIC / SNIC or NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending CNIC / SNIC or NICOP must quote their respective folio number and name of the company (in case of corporate shareholders).

Counterfoil Information of Cash Dividend

As per Companies (Distribution of Dividend) Regulations, 2017 issued by Securities and Exchange Commission of Pakistan vide SRO No.1145(I)/2017 dated November 6, 2017, all the listed companies announcing cash dividend are required to provide a certificate to their shareholders through the Central Depository Company of Pakistan (CDC), specifying the calculation of dividend amount including the number of shares held, total amount of cash dividend, income tax and zakat deductions and the net amount credited into the designated bank account of the shareholders. Shareholders (either holding shares in electronic or physical form) can by logging in CDC's e-Services portal i.e., <http://eipo.cdcaccess.com.pk/public/index.xhtml> retrieve such information.

Withholding Tax on Dividend

Pursuant to the provisions of Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies.

The 'Filer' is defined as a taxpayer whose name appears in the Active Tax-payers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

To enable the Company to withhold tax @ 15% for filers, all the shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted @ 30% as applicable for non-filers.

In case of joint shareholder, each shareholder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each shareholder as may be notified by the shareholders, in writing as follows, to our Shares Registrar, or if no such notification is received each shareholder shall be assumed to have an equal number of shares:

Folio/CDS Account Number	Total Shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC Number	Shareholding Proportion (No. of Shares)	Name and CNIC Number	Shareholding Proportion (No. of Shares)

The required information must reach the Shares Registrar of the Company M/s. C&K Management Associates (Private) Limited, Room No.404, 4th Floor, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 Pakistan (Telephone No.021-35687839 and 35685930) by the close of business on February 03, 2020 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint shareholder(s).

As per FBR's clarification, the valid exemption certificate under section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part IV of 2nd Schedule of the Income Tax Ordinance, 2001. Those who fall in the category mentioned in the aforesaid clause must provide valid tax exemption certificate before close of business on February 03, 2020 to our Shares Registrar, otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Income Tax Ordinance, 2001.

The corporate shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders are requested to send copy of their NTN certificate to the Company's Shares Registrar.

Above form is also available on the Company's website: www.gatron.com.



E-DIVIDEND MANDATE FORM

The Manager
C&K Management Associates (Pvt) Limited
Shares Registrar of
Gatron (Industries) Limited
Room No. 404, 4th Floor, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi-75530.

Date: _____

Subject: Bank account details for payment of Dividend through electronic mode

Dear Sir,

I/We/Messrs., _____,
being a member of Gatron (Industries) Limited [the "Company"], hereby authorize the Company, to directly credit cash dividends declared by the Company in my bank account as detailed below:

(i) Shareholder's details:	
Name of the Shareholder:	
Folio No.:	
CDC Participant ID & Sub-Account No. /CDC IAS:	
CNIC/NICOP/Passport/NTN No. (please attach copy):	
Contact Number (Landline & Cell Nos.):	
Shareholder's Address:	
(ii) Shareholder's Bank account details:	
Title of Bank Account:	
International Bank Account Number (IBAN) (See Note 1 below):	
Bank's Name:	
Branch Name & Code No.:	
Branch Address:	

It is stated that the above particulars given by me are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Yours truly,

Signature of the Shareholder
(Please affix company stamp in case of corporate entity)

Notes:

1. Please provide complete IBAN, after verification from your concerned bank to enable the company to electronic credit into your bank account.
2. The payment of cash dividend will be processed on the basis of the IBAN number alone.
3. The company is entitled to rely on the IBAN number as per your instructions. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations here under which is caused by incorrect payment instructions and / or due to any event beyond the control of the company.
4. CDC members are requested to submit with Participant/CDC Investor Account Services for incorporation of bank account.

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*Mobile apps are also available for download for android and ios devices



Gatron (Industries) Limited